

## **The complaint**

A company, which I'll refer to as "M", complains that HSBC UK Bank Plc mishandled its Bounce Back Loan application and left it unable to access the government-backed scheme.

Miss M is M's director and brings the complaint on the company's behalf.

## **What happened**

M banked with HSBC, as did Miss M in her personal capacity.

On M's behalf, Miss M applied to HSBC for a Bounce Back Loan of £45,000 on 12 May 2020.

HSBC initially approved M's request and issued a loan agreement on 11 June 2020, which Miss M signed and returned. But the loan funds weren't provided. Miss M chased things up with HSBC, ultimately by way of complaint – and was told to reapply as the application had been cancelled.

Miss M submitted another application on 4 August 2020, this time for a loan of £50,000.

Having not received a response to the application, Miss M again chased things up with HSBC and a further complaint was raised. The bank responded on 9 October to advise that the application would be reviewed in due course, with the level of demand causing delays.

Around the same time, HSBC was carrying out a review of its banking relationship with Miss M as a personal customer that led it to withdraw its services on or around 7 December 2020.

In light of the findings of its review, HSBC was unwilling to enter into any further arrangements with M – so the company's Bounce Back Loan application didn't proceed. But the bank didn't advise Miss M of this, so the application lapsed without her knowledge.

The Bounce Back Loan Scheme closed to new applications on 31 March 2021, with M not having managed to obtain a loan.

Miss M doesn't think HSBC treated M fairly. She doesn't understand why the initial application for £45,000 was cancelled, particularly given that she had signed and returned the loan agreement. She says the bank then failed to update her on the subsequent application, leaving M unable to apply elsewhere and ultimately missing out on a loan under the Scheme altogether.

## **My provisional decision**

I issued a provisional decision earlier this month, setting out why I thought the complaint should be upheld in part and inviting both parties to send me anything else they wanted me to take into account before I made a final decision. I said:

I don't think HSBC did anything wrong in – eventually – deciding that it didn't wish to lend to M. But there were errors in how it handled the company's applications that caused unreasonable delays and inconvenience and so, on that basis, I currently think the complaint should be upheld in part.

Looking firstly at HSBC's decision to decline M's application, I find this to have been reasonable as:

- Irrespective of whether M met the eligibility criteria for a Bounce Back Loan, the decision to lend still rested ultimately with the lender.
- In reaching that decision, lenders were required to carry out certain checks on applications including fraud, anti-money laundering and Know Your Customer checks.
- The information on which HSBC based its decision shows that M's application failed these checks. Having reviewed this, I think it was a legitimate basis for the bank's decision.
- Although HSBC initially approved M's application, it wasn't unconditionally bound to provide the loan funds. The bank was entitled to terminate the loan agreement that M had signed in certain circumstances, and I'm satisfied that it was reasonable to do so in light of the findings of its review.

I understand Miss M finds the bank's decision difficult to accept as it hasn't disclosed the specifics of its rationale. But HSBC isn't required to share any more detail about its reasons than it already has. And I can't fairly require that it do so.

All of that being said, there were clear shortcomings in the service HSBC provided to M. It isn't entirely clear to me when the bank initiated its review of Miss M's personal account, which ultimately led to its decision to decline M's application. But from what I've seen, it had decided by late April 2020 to end its relationship with Miss M. So it seems to me that it ought therefore to have declined M's application at the outset. As it didn't, Miss M quite reasonably had no cause to consider that M would be unable to obtain a loan from HSBC and so persisted in her application.

In approving M's initial application, Miss M reasonably expected the funds to be provided shortly thereafter. So when they weren't, she spent time and effort chasing things up with the bank. It seems that HSBC cancelled the application – correctly, given what I've said above – but then told Miss M to reapply. So she did. The bank then failed to respond to that application at all – with Miss M left unaware that M's application had been declined.

I've thought carefully about the impact that these errors had on M. Miss M said it left the company unable to access the Loan Scheme. And I have some sympathy for this argument. Applicants could only have one application pending at any one time. So while she had cause to believe that HSBC was still considering M's request, she was unable to apply elsewhere.

At the same time, I think there ought reasonably to have come a time when Miss M understood that the application wasn't proceeding. The last application was made on 4 August. Miss M referred her concerns to us in mid-January 2021, by which time I think she had grounds to consider that the application had been unsuccessful. The Scheme was open until the end of March 2021, so I don't think it's unreasonable to

suggest that she could've attempted to apply elsewhere in light of the lack of a response from HSBC.

In any event, I don't think I can say with any certainty that M would've been successful in an application elsewhere. Very few lenders were accepting applications from new customers, so M's options would've been limited. There's little evidence to suggest that M met the eligibility criteria and, even if it did, that its application would've passed another lender's checks. I think it's most likely that other lenders would've reached the same decision as HSBC.

So while I think HSBC made an error in failing to confirm to M that it had declined the company's application, I don't think this deprived the company of a Bounce Back Loan.

The shortcomings in the bank's service did, however, cause the company some avoidable inconvenience. Miss M had to chase the bank up on a number of occasions over a period of several months and submit an additional application. And with matters unresolved, she raised two complaints and referred the matter to us. None of this ought to have been necessary. I can see that this would've taken Miss M away from the company's operations, thereby causing it inconvenience. So to compensate M for this, I intend to require HSBC to pay it £300.

HSBC accepted my provisional decision. M didn't respond.

### **What I've decided – and why**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, and with no further information for me to take into account following my provisional decision, I see no reason to depart from my initial conclusions. So this decision simply confirms my provisional findings, as set out above.

### **My final decision**

I uphold this complaint and require HSBC UK Bank Plc to pay M £300 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask M to accept or reject my decision before 18 January 2023.

Ben Jennings  
**Ombudsman**